

A Tour of the New Redesigned 2008 Form 990

Part III: Governance, Management, Disclosure, Summary, Checklist of Required Schedules and Schedule A

Part Three of a Four Part Mini Course Produced by IRS Exempt Organizations

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Voice 1: Welcome to Part Three of our four-part mini course on Form 990 for tax year 2008. In this part we'll finish our survey of the core form—specifically:

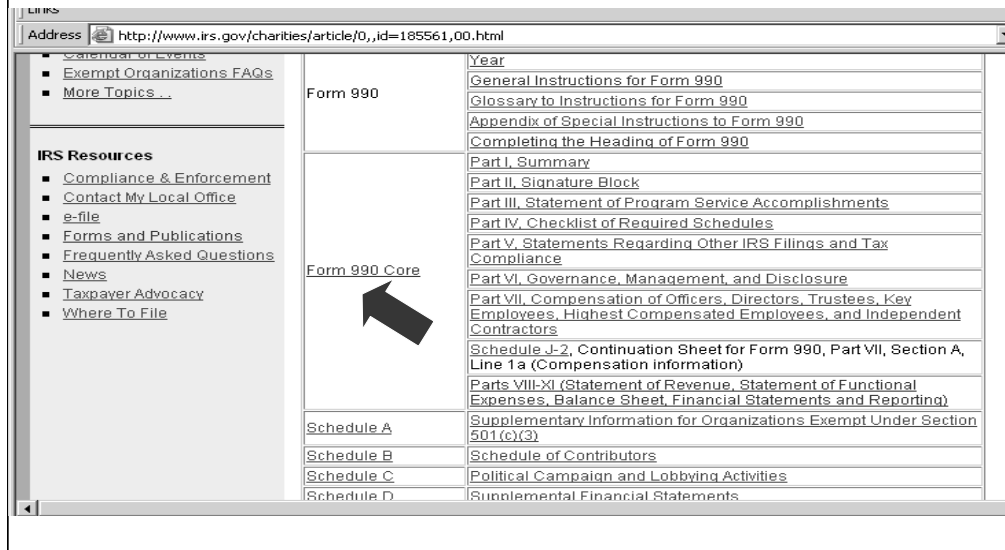
Governance, Management and Disclosure;

The Summary; and

The Checklist of Required Schedules

Then we'll look at the first required schedule, Schedule A.

-Go to: www.irs.gov/charities/article/0,,id=185561,00.html
to download the **2008** Form 990 and instructions.
-The **2009** form and instructions are available at
<http://www.irs.gov/charities/article/0,,id=218927,00.html>



Voice 1: You may want to have the 2008 Form 990 in front of you as we go along.
You can download the various parts of the form and their instructions at the address
shown on the slide.

Part VI

Governance, Management, and Disclosure

- Good governance practices improve your ability to:
 - Comply with the tax laws
 - Safeguard your assets
 - Accomplish your mission

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Voice 2: Let's begin by looking at Part Six. The questions in Part Six ask for information about your organization's governing body, as well as about its governance, management, and disclosure policies and procedures. These questions reflect the IRS's interest in learning more about how tax-exempt organizations are governed.

An organization with a clearly articulated mission, a knowledgeable and dedicated governing body and management team, and sound managerial and financial practices, is more apt to comply with the tax laws, safeguard its assets, and succeed in its mission.

And while the tax law generally does not mandate particular governance policies or practices, we believe that the policies and practices we ask about in this Part are hallmarks of a well-governed organization. We also believe that the absence of such policies and practices expose a tax-exempt organization to greater risk of abuse and leave it more vulnerable to those who might use it for their personal benefit or to engage in nonexempt activities.

Part Six is divided into three sections. The first, Section A, asks questions about your governing body.

“Governing Body”

- *Governing Body* = The group or persons authorized under state law to exercise ultimate control of the organization
 - *E.g.*, the board of directors of a corporation or the trustees of a trust

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Voice 2: The *governing body* is the group of persons authorized under state law to exercise ultimate control of your organization. Generally, the governing body of a corporation or association is its board of directors. The governing body of a trust is its trustees.

Section A, Line 1: Voting Directors and Independence

Section A. Governing Body and Management		Yes	No
For each "Yes" response to lines 2-7 below, and for a "No" response to lines 8 or 9b below, describe the circumstances, process, or changes in Schedule O. See instructions.			
1a Enter the number of voting members of the governing body	1a		
b Enter the number of voting members that are independent	1b		

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Voice 1: Line 1 asks about the size and independence of the governing body. The size of the governing body should be adequate to serve the needs of your organization. A board that is too small may lack the skills or resources to govern effectively. One that is too large may be unwieldy or inefficient.

Regardless of size, a governing body generally should mainly consist of independent members and not be dominated by family, relatives, or business partners. Independence among board members is important because it increases the likelihood that decisions will be made in the best interests of the organization and the community it serves. Independence also reduces the chances for insider transactions that could result in impermissible private benefit.

“Independent”

- A member of the governing body is *independent* if:
 - Not compensated as an officer or employee of the filing organization or a related organization;
 - Not compensated > \$10,000 for services provided to filing organization or related organization as an independent contractor; and
 - Not involved in a transaction with the organization (or a related organization) reportable on Schedule L, e.g., loan, grant, business transaction, etc.

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Voice 1: Line 1b asks how many voting members of the governing body are *independent*. Don't count a member as independent unless all three of the following conditions applied at all times during the tax year:

-First, the member was not compensated as an officer or employee of your organization or a related organization;

-Second, the member did not receive compensation or other payments of more than \$10,000 from your organization or related organizations for services provided as an independent contractor

When determining the amount of compensation received, don't include reimbursement of expenses or reasonable compensation for services provided as a member of the governing body;

-Third, neither the member nor anyone in his or her family was involved in a transaction with the organization that should be reported on Schedule L such as an excess benefit transaction, a loan, a grant, or a business transaction

Voice 2: Line 2 asks whether there are any family or business relationships between officers, directors, trustees, or key employees of the organization. If there are, you should explain those relationships on Schedule O. It's sufficient to identify the people involved and simply state “family relationship” or “business relationship.”

“Business Relationship”

- Two people are considered to have a *business relationship* if they transact business in a contract of sale, lease, license, loan, or performance of services that involves transfers > \$10,000 during the tax year and that is *not* in the ordinary course of either party’s business and on terms available to the public.

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Voice 2: Two people have a *business relationship* when, for example they transact business, directly or indirectly, in a contract of sale, lease, license, loan, or performance of services during the tax year. In addition, the transaction must involve the transfer of cash or property having a value greater than \$10,000 and is *not* in the ordinary course of either party’s business and on the same terms as offered to the public.

A privileged relationship, on the other hand—such as that between an attorney and client, a doctor and patient, or a clergyman and penitent—is *not* considered a business relationship.

“Reasonable Effort”

- For purposes of questions 1b and 2, make a reasonable effort to gather the information needed to determine whether board members are independent and whether officers, directors, or key employees have family or business relationships
 - E.g., use an annual questionnaire to solicit relevant information from each person concerned

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Voice 2: To determine your governing body’s independence, you should make a reasonable effort to obtain the necessary information from them. Likewise, you should make a reasonable effort to obtain necessary information from your officers, directors, trustees and key employees to determine if there are any family or business relationships between them.

For example, you might send each a questionnaire annually soliciting the pertinent information. You may rely on the information they disclose to you when answering the questions on lines 1 and 2.

“Material Diversion”

- *Diversion* = unauthorized conversion (including embezzlement, or theft) or use of assets for unauthorized purposes
- *Material* = gross dollar amount diverted exceeds
 -
 - \$250,000
or if less,
 - 5% of the lesser of
 - Gross receipts for the tax year
or
 - Total assets at end of tax year

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Voice 1: A diversion of organizational assets saps strength from the organization and hampers its ability to conduct program services and fulfill its mission.

Line 5 asks whether during the tax year the organization became aware of any material diversion of its assets regardless of when the diversion occurred. If the answer is “Yes,” you should explain the situation in Schedule O. Include the nature of the diversion, the monetary amounts or property diverted, and the corrective actions taken.

A diversion of assets is any *unauthorized* conversion of the assets (including embezzlement or theft) or *unauthorized* use of assets. A diversion is considered *material* if:

The gross amount (ignoring recoveries from restitution or insurance) exceeds \$250,000, or if less,

Five percent of the lesser of gross receipts for the tax year or total assets as of the end of the tax year.

Review of Form 990

- Line 10: Answer “Yes” if the completed Form 990 was provided to each voting member of the governing body *before* it was filed (*line 11 for tax years 2009 +later*)
- Schedule O: Describe the process used to review Form 990, e.g. —
 - Who conducted the review
 - When (e.g., before or after it was filed)
 - To what extent it was reviewed
 - *Or state* “No review was or will be conducted”

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Voice 1: Since Form 990 is one of the chief vehicles by which the IRS and the public learn about a tax-exempt organization and its activities, it’s a good idea for the organization’s governing body to acquaint itself with their Form 990.

Your answer to line 10 tells us whether a copy of Form 990 was provided to each voting member of the governing body before the form was filed. Use Schedule O to describe the process the organization’s officers, directors, or management used to review the completed Form 990. If no review was or will be conducted, you should say so.

Part VI, Section B Management Policies

- Does the organization have written policies covering...
 - Executive Compensation?
 - Conflicts of interest?
 - Investments in joint ventures?
 - Document retention and destruction?
 - Whistleblowers?

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Voice 2: The questions in the Section B of Part Six ask whether the organization has adopted policies or procedures covering:

Executive compensation,
Conflicts of interest,
Investments in joint ventures,
Fundraising,
Document retention and destruction, and
Whistleblower claims

The organization's directors have a duty to act in the best interests of the organization rather than in their personal interests and, in particular, to avoid conflicts of interest that are detrimental to the organization.

“Conflict of Interest”

A *conflict of interest* arises when a person in a position of authority over an organization (such as an officer, director, or manager) might benefit financially from a decision he or she could make while acting in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated

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Voice 2: A conflict of interest arises when a person in a position of authority, such as an officer, director, or manager, could benefit financially (whether directly or indirectly through family or business relationships) from a decision he or she makes while acting in an official capacity.

To minimize the chance that a conflict of interest will cause it harm, a tax-exempt organization should adopt a conflict of interest policy.

Conflict of Interest Policy

- A conflict of interest policy typically ...
 - Defines “conflict of interest”
 - Identifies the classes of individuals covered by the policy
 - Facilitates disclosure of information that might help identify conflicts of interest
 - Specifies procedures for managing a conflict of interest

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Voice 2: Typically, a conflict of interest policy:

Defines the circumstances that constitute a conflict of interest,
Identifies the classes of individuals covered by the policy,
Facilitates disclosure of information that might reveal actual or
potential conflicts of interest, and
Specifies procedures for dealing with a conflict of interest once it
arises

Line 12a asks whether the organization had a conflict of interest policy in effect at the end of its tax year.

Enforcing the Conflicts Policy

- In Schedule O, explain ...
 - Who is covered under the policy?
 - Who determines whether a conflict exists?
 - Once a conflict is identified, who monitors or reviews it?
 - What restrictions are placed on persons determined to have a conflict?

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Voice 2: If the answer to line 12a is “Yes,” line 12c asks whether the policy is regularly and consistently monitored and enforced. On Schedule O, describe how you accomplish this monitoring and enforcing, including:

Who determines if a conflict exists

Who monitors or reviews the situation to ensure that the conflict does not harm the organization

If there are safeguards to prevent someone from deliberating or voting on transactions in which they have a conflict of interest

Annual Disclosure of Interests

Line 12b: Are the organization's officers, directors, trustees and key employees required to disclose or update annually (or more frequently) their interests that could give rise to conflicts of interest? Examples include a list of family members, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations and those of family members?

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Voice 1: To help identify potential conflicts of interest, the organization should ask its officers, directors and key employees to disclose any financial interest that the individual or a family member has in any business entity that transacts business with the organization. This disclosure should be made in writing and at least annually.

Line 12b asks whether the organization requires such disclosures of family and business interests.

Whistleblower Policy

- A whistleblower policy:
 - Encourages staff to come forward with credible information about illegal practices or violations of adopted policies
 - Identifies those staff, board members, or outside parties to whom such information can be reported in confidence
 - Obligates the organization to protect the whistleblower from retaliation

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Voice 1: The organization's employees are often in the best position to spot a financial impropriety or misuse of the organization's resources.

Many tax-exempt organizations adopt whistleblower policies encouraging employees to report instances of illegal practices, policy violations, or suspected financial impropriety or misuse of organizational resources. These policies typically identify confidential reporting procedures including the staff, directors, or outside parties to whom an employee may report. The policies also obligate the organization to protect the whistleblower from retaliation.

Line 13 asks whether the organization had a whistleblower policy in place on the last day of its tax year.

Determining Compensation

Establishing a Rebuttable Presumption of Reasonableness

- The compensation arrangement is approved in advance by an authorized body (i.e., governing body or compensation committee), none of whose members have a conflict of interest in the arrangement
- The authorized body obtains and uses data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations
- The authorized body adequately documents the basis for its determination at the time it is made

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Voice 2: A tax-exempt organization may not pay more than reasonable compensation for services rendered. To prevent excessive compensation, an organization should adopt procedures that establish a presumption of reasonableness.

Compensation payments are presumed to be reasonable if:

The compensation arrangement is approved in advance by a governing body or compensation committee, none of whose members has a conflict of interest with respect to the arrangement;

The authorized body obtains and uses comparable compensation data for similarly qualified persons in functionally comparable positions at similarly situated organizations; and

The authorized body adequately documents the basis for its determination at the time it is made.

Line 15 asks whether such procedures were used when determining the compensation of the organization's CEO, executive director, or top management official, other officers and key employees. If so, describe the process in Schedule O.

Participation in Joint Ventures

Does the organization have a policy to negotiate joint venture agreements to include terms that safeguard its exempt status, such as requiring that:

- Exempt purposes be given priority over investors' profits
- The venture not engage in activities that would jeopardize the organization's exempt status
- All contracts with the organization be on arm's-length terms

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Voice 1: It is becoming increasingly common for tax-exempt organizations to engage in joint ventures with commercial entities. Unless carefully structured, such ventures could lead to abuse of the tax-exempt entity and put its exemption in jeopardy.

Line 16a asks whether your organization invested in or participated in any joint venture with a taxable entity during its tax year.

When engaging in joint ventures, tax-exempt organizations should adopt policies to negotiate terms in the joint venture agreement that ensure the arrangement furthers its exempt purposes. The agreement should also incorporate safeguards that protect the organization's exempt status.

Those safeguards might require that:

All contracts entered into with the organization be on terms that are arm's length or more favorable to the organization, or

The venture gives priority to exempt purposes over maximizing the profits of the other investors, and

The venture does not engage in activities that might jeopardize the organization's exemption.

Line 16b asks whether the organization had such a protective policy in place at the end of its tax year and whether it had otherwise taken steps to safeguard its exempt status with respect to any joint venture.

The lines in the third section of Part Six concern disclosure. That is, they ask about the types of information the organization makes available to the public, as well as how it makes that information available.

Public Inspection

- The organization's exemption application (Form 1023 or 1024) and annual information returns (e.g., Form 990) must be made available for public inspection at the organization's principal, regional, and district offices
- A Form 990 must be available for 3 years from the time it is filed
- A section 501(c)(3) organization must make its Forms 990-T available as well

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Voice 1: At a minimum, every tax-exempt organization is required to make a copy of its exemption application, Form 1023 or 1024, and its annual information return, Form 990, available for public inspection. These forms must be accessible during normal business hours at the organization's principal office, as well as at regional or district offices.

Form 990 must be made available for three years from the date the form is required to be filed. In addition, section 501(c)(3) organizations must make any unrelated business income tax return, Form 990-T, filed after August 17, 2006, available for public inspection for a three-year period.

You can find a detailed explanation of the public inspection requirements in Appendix D to the Form 990 general instructions. You are encouraged to establish procedures to ensure that you meet those requirements.

Line 18 asks how your organization makes its exemption application and Forms 990 available to the public. And line 19 asks whether it also makes other types of information available, such as governing documents and financial statements.

That completes our look at Part Six. Now let's turn to the front of the form and fill in the Summary information in Part One.

Part I Summary

Part I Summary		
Activities & Governance	1 Briefly describe the organization's mission or most significant activities:	
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its assets.	
	3 Enter the number of voting members of the governing body (Part VI, line 1a) 3	
	4 Enter the number of independent voting members of the governing body (Part VI, line 1b) 4	
	5 Enter the total number of employees (Part V, line 2a). 5	
	6 Enter the total number of volunteers (estimate if necessary) 6	
	7a Enter total gross unrelated business revenue from Part VIII, line 12, column (C) 7a	
	7b Enter net unrelated business taxable income from Form 990-T, line 34 7b	
	Prior Year	Current Year

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Voice 2: Part One gives readers a snapshot of key financial, governance, and operational information. Most of this information is copied directly from parts of the form we've already completed.

On line 1, you can simply repeat your mission statement or you can describe the organization's most significant activity for the year, whichever you prefer.

Line 6 asks for the number of people who volunteered their services—whether full or part-time—to the organization during its tax year. If you haven't kept precise figures on volunteers, give a reasonable estimate using a reasonable basis for determining that estimate. If you want, you can explain in Schedule O how you arrived at the number of volunteers and describe the types of services or benefits those volunteers provided.

Key Revenue and Expenses Prior Year vs. Current Year

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)		
	9 Program service revenue (Part VIII, line 2g)		
	10 Investment income (Part VIII, lines 3, 4, and 7d)		
	11 Other revenue (Part VIII, lines 5, 6d, 8c, 9c, and 10c of column (A), and 11e)		
	12 Total revenue—add lines 8 through 11 (must equal Part VIII, line 12, column (A))		
Expenses	13 Grants and similar amounts paid (Part IX, lines 1–3, column (A))		
	14 Benefits paid to or for members (Part IX, line 4, column (A))		
	15 Salaries, other compensation, employee benefits (Part IX, lines 5–10, column (A))		
	16a Professional fundraising expenses (Part IX, line 11e, column (A)).		
	b (Enter amount from Part IX, line 25, column (D) _____).		
	17 Other expenses (Part IX, lines 11d, 11f–24f)		
	18 Total expenses—add lines 13–17 (must equal Part IX, line 25, column (A)).		
	19 Revenue less expenses—line 12 minus line 18		

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Voice 2: Lines 8 through 19 compare current year amounts of select revenue and expense categories with prior year amounts. Since there was no summary page on the 2007 Form 990, the 2008 Instructions will tell you which lines of your 2007 Form 990 to use to compute the “prior year” amounts for the 2008 Summary.

When you fill out your 2009 Form 990, you should simply transcribe the “current year” amounts from the 2008 Summary to the “prior year column” of the 2009 Summary. If this is the first return your organization has filed, or if you filed a Form 990-EZ or Form 990-PF for the previous year, leave the “prior year” column blank.

After completing the summary, you should turn to page 3 and fill out Part Four, the Checklist of Required Schedules.

Part IV Checklist of Required Schedules		Yes	No
1	Is the organization described in section 501(c)(3) or 4047(a)(1) (other than a private foundation)? If "Yes," complete Schedule A		
2	Is the organization required to complete Schedule B, Schedule of Contributors?		
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I		
4	501(c)(3) organizations: Did the organization engage in lobbying activities? If "Yes," complete Schedule G, Part II		
5	501(c)(4), 501(c)(5), and 501(c)(6) organizations: Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? If "Yes," complete Schedule C, Part III		
6	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I		
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," complete Schedule D, Part II		
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		
9	Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services, report an amount in Part X, line 21, or serve as a custodian for amounts not listed in Part X? If "Yes," complete Schedule D, Part IV		
10	Did the organization hold assets in trust, permanent or quasi-permanent? If "Yes," complete Schedule D, Part V		
11	Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 28? If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
12	Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? If "Yes," complete Schedule D, Parts XI, XII, and XIII		
13	Is the organization operating a school as described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		
14a	Did the organization maintain, at any time, employees or agents outside of the U.S.?		
14b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? If "Yes," complete Schedule F, Part I		
15	Did the organization report on Part IX, line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Part II		
16	Did the organization report on Form 990, Part IX, line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Part III		
17	Did the organization report more than \$15,000 on Part IX, line 11e? If "Yes," complete Schedule G, Part I		
18	Did the organization report more than \$15,000 total on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II		
19	Did the organization report more than \$15,000 on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		
20	Did the organization operate one or more hospitals? If "Yes," complete Schedule H		
21	Did the organization report more than \$5,000 on Part IX, line 2? If "Yes," complete Schedule I, Parts I and II		
22	Did the organization report more than \$5,000 on Part IX, line 2? If "Yes," complete Schedule I, Parts I and II		
23	Did the organization answer "Yes" to questions 3, 4, or 5 of Form 990, Part VII, Section A? If "Yes," complete Schedule J		
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, and that was issued after December 31, 2002? If "Yes," answer 24b-24d and complete Schedule K. If "No," go to question 25.		
24b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
24c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
24d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a	501(c)(3) and 501(c)(4) organizations: Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		
25b	Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? If "Yes," complete Schedule L, Part I		
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II		
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? If "Yes," complete Schedule L, Part III		

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Form 990 (2008)

Voice 1: Form 990 is accompanied by 16 specialized schedules, but that doesn't mean you have to complete all 16. Rather, you need only complete the schedules that apply to your organization.

The purpose of Part Four is to tell you exactly which schedules you should complete. Part IV is a checklist because it consists entirely of *trigger* questions that call for a simple "Yes" or "No" answer. Each question relates to one of the schedules or part of a schedule. The questions are *triggers* because if you answer "Yes" to a question, it triggers the requirement to fill out the corresponding schedule or schedule part.

For example, question 13 asks whether your organization operates a school. If you answer "Yes," you're directed to complete Schedule E. If you answer "No," you don't need to complete Schedule E.

The questions are arranged in the order of the schedules, so the question that determines whether you fill out Schedule A comes first, followed by the question that relates to Schedule B, and so on.

After answering all the questions in Part Four, look at each line where you answered "Yes" and complete the corresponding schedule or part of a schedule indicated in that line.

We'll take a look at one of the schedules, Schedule A, in a minute, but first let's look at the last remaining part of the core form: Part Two, the Signature Block.

Signature Block

Part II Signature Block				
Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.			
	Signature of officer		Date	
	Type or print name and title			
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's PTIN (See Gen. Inst.)
	Firm's name (or yours if self-employed), address, and ZIP + 4	EIN	Phone no.	
	May the IRS discuss this return with the preparer shown above? (See instructions)			
For Return Not and Preparation Reduction Act Matters, see the separate instructions				23

Voice 2: The return is not complete until it is signed by an officer of the organization. Ideally, it should be signed after all other parts of the form and any required schedules have been completed.

If the organization is a corporation or association, the return can be signed by its president, vice president, treasurer, assistant treasurer, chief accounting officer, tax officer, or any other officer authorized to sign the form. If the organization is a trust, the return must be signed by a trustee.

Anyone who is paid to prepare the return must sign it in the section designated for "Paid Preparer's Use Only." Persons paid to prepare the return of a section 4947(a)(1) nonexempt charitable trust must enter their EIN, if applicable, and either their Social Security Number or preparer's taxpayer identification number (PTIN). Paid preparers of other types of organizations don't need to provide these identifying numbers. Leave the paid preparer's space blank if the return was prepared by an employee of the filing organization.

In the last line of the signature block, check the "Yes" if you want to authorize the IRS to contact the paid preparer should any questions arise while processing the return. Check "No" if you want the IRS to contact the organization or the principal officer listed in the form's heading rather than the paid preparer.

We've now covered all the parts of the core Form 990. We'll end this third part of our Form 990 mini-course by looking at the first schedule, Schedule A. Since only section 501(c)(3) organizations fill out Schedule A, you needn't stick around if your organization is not a section 501(c)(3) organization. You can go straight to the fourth and final part of the course for a look at some of the other schedules.

Schedule A

Public Charity Status and Public Support

- Fill out Schedule A if your organization is exempt under section 501(c)(3) of the Internal Revenue Code *other than as a private foundation*
 - A private foundation should not file Form 990, it should file Form 990-PF instead

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Voice 1: If your organization is exempt under section 501(c)(3), you must complete Schedule A unless the organization is classified as private foundation. If your organization is classified as a private foundation you should not file Form 990 at all, you should file Form 990-PF instead.

If you're familiar with earlier versions of schedule A, you'll notice that the 2008 schedule A is now used only to obtain information about your organization's public charity status and public support. Other topics that were once on Schedule A have been dispersed to the core form or to other schedules.

For example, questions about lobbying are part of Schedule C, questions for private schools are part of Schedule E, and questions about transfers among related organizations are part of Schedule R.

Part I

Reason for Public Charity Status

- Check only ONE box from lines 1-11
- If this return is for one of the organization's *first 5 tax years*, check the box that corresponds to the public charity status stated in the organization's exemption letter
 - Not sure? Call Customer Account Services 1-877-829-5500
- If this return is for a later tax year, check the box that best reflects the organization's current public charity status

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Voice 1: In Part I, you should check one—but *only* one—of the boxes from lines 1 through 11 to indicate why your organization qualified as a public charity in 2008.

If the return is for any of the organization's first five tax years as a section 501(c)(3) organization, you should check the box that corresponds to the public charity status stated in the organization's exemption letter. If you don't know that status, you can find out by calling the Exempt Organizations Customer Account Services toll free at 1-877-829-5500.

If the return is for a tax year after the organization's first five tax years, check the box that best reflects your organization's current public charity status, regardless of the status shown on the exemption letter. If you have more than one reason for public charity status, you should still check only one box. If you wish, you may explain those other reasons in Part Four of Schedule A.

Parts II and III Support Schedules for Publicly-Supported Charities

- If you check box 5, 7, or 8 in Part 1, fill out Part II – *Support schedule for organizations described in IRC 170(b)(1)(A)(vi) and 509(a)(1)*
- If you check box 9 in Part 1, fill out Part III – *Support schedule for organizations described in IRC 509(a)(2)*

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Voice 2: There are two separate support schedules for organizations whose public charity status is contingent on the level of public support they receive from contributions or exempt-function income.

The support schedule in Part Two is used to compute the public support of organizations that are classified or seek to be classified as publicly-supported charities or community trusts under sections 509(a)(1) and 170(b)(1)(A)(vi). Fill out this support schedule if you checked box 5, 7, or 8 in Part One.

The support schedule in Part Three is used to compute the public support of organizations that are classified or seek to be classified as publicly-supported organizations under section 509(a)(2). Fill out this support schedule if you checked box 9 in Part One.

Completing the Support Schedule

- If this return is for one of the organization's *first five tax years*, fill in the public support and total support columns for the years that the organization has been in existence
 - Do *not* compute your public support percentage
- If this return is for a later year:
 - Fill in the public support and total support columns for the current year and four preceding years
 - Compute your public support percentage (and investment income percentage, if applicable)
- Use the same accounting method that was used to prepare core Form 990 (whether cash or accrual)

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Voice 2: Both support schedules feature a five-year testing period made up of the current and four preceding tax years. If the organization wasn't recognized as a section 501(c)(3) organization for the entire five-year period, report amounts only for the years in which it was so recognized.

"New" organizations—those that are filing a return for one of their first five tax years—must submit the public and total support information requested in lines 1-13 of Part Two or lines 1-14 of Part Three. However, they should not compute their public support percentage and, in the case of organizations described in section 509(a)(2), their investment income percentage. All other organizations filling out a support schedule must compute their support percentage and, if applicable, investment income percentage.

When completing Part Two, if you don't meet the 33⅓ percent support test, but claim to meet the 10 percent facts-and-circumstances test, you must explain in Part Four how you meet that test. If you don't qualify under either support test in Part Two, you should try to qualify under the support test in Part Three, and vice versa.

Voice 1: The IRS will be issuing new rules that eliminate the advance ruling process for new section 501(c)(3) organizations classified as publicly-supported charities under section 170(b)(1)(A)(vi) or 509(a)(2). Organizations with an advance ruling that expires after the new rules were issued no longer need to file Form 8734, *Support Schedule for Advance Ruling Period*. The support schedules in Parts Two and Three of Schedule A replace Form 8734.

When completing a support schedule, you should use the same accounting method you used to prepare the core Form 990, whether cash or accrual. This is a change from earlier versions of Schedule A which required that all reporting be on the cash method.

If you used the accrual method to prepare your 2008 Form 990, don't transfer any of the amounts reported on your 2007 Schedule A to the 2008 Schedule A. Instead, report all amounts on 2008 Schedule A in accordance with the accrual method.

2008 Form 990

End of Part III

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Voice 2: And with that, we have come to the end of the third part of our mini course on Form 990. In the fourth and final part we'll look at a few more of the schedules, specifically:

Schedule C, *Political campaign and lobbying activities*

Schedule F, *Statement of activities outside the United States*

Schedule G, *Fundraising or gaming*

Schedule I, *Grants and other assistance*

Schedule M, *Non-cash contributions*; and

Schedule R, *Related organizations and unrelated partnerships*

To continue with the course, return to the Stay Exempt and the EO web-based mini-course page and select the link to Part Four of the Redesigned Form 990.